

I. Assumptions:

XYZ Company (a four exchange company operating in two states)

7.5 Million Residence Access Lines

2.5 Million Business Access Lines

10.0 Million Total Access Lines

50% Access Lines in State A

50% Access Lines in State B

2 exchanges in each state (one urban and one rural)

Exchanges in State A = A1 and A2

Exchanges in State B = B3 and B4

MOU - State A	Originating	Terminating	Total
XYZ - Interstate	11,235,000,000	10,500,000,000	#####
XYZ - Intrastate	8,560,000,000	8,000,000,000	#####
XYZ - Local	20,330,000,000	19,000,000,000	#####
Total	40,125,000,000	37,500,000,000	#####

MOU - State B	Originating	Terminating	Total
XYZ - Interstate	13,375,000,000	12,500,000,000	#####
XYZ - Intrastate	12,840,000,000	12,000,000,000	#####
XYZ - Local	25,680,000,000	24,000,000,000	#####
Total	51,895,000,000	48,500,000,000	#####

MOU - Company Total	Originating	Terminating	Total
XYZ - Interstate	24,610,000,000	23,000,000,000	#####

APPENDIX 2

XYZ - Intrastate	21,400,000,000	20,000,000,000	#####
XYZ - Local (LIS)	46,010,000,000	43,000,000,000	#####
Total	92,020,000,000	86,000,000,000	#####

II. Other Data

	Exchange A1	Exchange A2	Exchange B3	Exchange B4	Total
Cost of Basic Service	\$20.00	\$47.50	\$32.50	\$196.32	
Residence Lines	3,000,000	750,000	3,562,500	187,500	7,500,000
Business Lines	1,125,000	125,000	1,212,500	37,500	2,500,000
Total Lines	4,125,000	875,000	4,775,000	225,000	10,000,000

III. Universal Service Parameters:

\$40.50

(Assume 135% Cost Benchmark for Federal; use \$30 national avg x 1.35 = \$40.50 Cost Benchmark)

	Exchange A1	Exchange A2	Exchange B3	Exchange B4	Total
Residence Benchmark	\$40.50	\$40.50	\$40.50	\$40.50	
Business Benchmark	\$40.50	\$40.50	\$40.50	\$40.50	

IV. Analysis of Existing Implicit Support:

	Exchange A1	Exchange A2	Exchange B3	Exchange B4	Total	
Residence Support	0	63,000,000	0	350,604,167	413,604,167	
Business Support	0	10,500,000	0	70,120,833	80,620,833	
Total Support	0	73,500,000	0	420,725,000	\$494,225,000	100.00%
Study Area Average Support		12,862,500		18,932,625	\$31,795,125	6.43%
		State A		State B		

V. Account for State Responsibility and Set Interstate Terminating Access Surcharge(s)

	Interstate	
State A		
Total Support	\$73,500,000	
Less: State	\$60,637,500	Assume state shoulders implicit granularity/aggregation differential
Federal Support	\$12,862,500	
Interstate Term MOU	10,500,000,000	0.0012
State B		
Total Support	\$420,725,000	
Less: State	\$401,792,375	Assume state shoulders implicit granularity/aggregation differential
Federal Support	\$18,932,625	
Interstate Term MOU	12,500,000,000	0.0015
Total XYZ Company		
Total Support	\$494,225,000	
Less: State	\$462,429,875	Assume state shoulders implicit granularity/aggregation differential
Federal Support	\$31,795,125	
Divided by Term MOU	23,000,000,000	
Interstate Rate per Term MOU	\$0.0014	\$0.0014

VI. Analyze Current Interstate "Carrier" (not End User) Access Rates and Revenues:

Current Access Rates:

	Originating	Terminating
XYZ - Interstate	\$0.0110	\$0.0110
XYZ - Intrastate A	\$0.0150	\$0.0250
XYZ - Intrastate B	\$0.0170	\$0.0450

XYZ - Local (LIS) A	\$0.0000	\$0.0020
XYZ - Local (LIS) B	\$0.0000	\$0.0030

Current Access Revenue:

	Originating	Terminating	Total
XYZ - Interstate	\$270,710,000	\$253,000,000	\$523,710,000
XYZ - Intrastate A	\$128,400,000	\$200,000,000	\$328,400,000
XYZ - Intrastate B	\$218,280,000	\$540,000,000	\$758,280,000
XYZ - Local (LIS) A	\$0	\$1,900,000	\$1,900,000
XYZ - Local (LIS) B	\$0	\$3,600,000	\$3,600,000
Total Revenue	\$617,390,000	\$998,500,000	#####

VII. Assess Incremental Cost of Terminating Access (use Local Interconnection functionality as basis):

	Terminating - Cost
XYZ - Interstate	\$0.0025 TSLRIC + Reasonable Markup
XYZ - Intrastate A	\$0.0020
XYZ - Intrastate B	\$0.0030
XYZ - Local (LIS) A	\$0.0020
XYZ - Local (LIS) B	\$0.0030

VIII. Apply Cost-Based Terminating and Terminating Universal Service Surcharge(s); Calculate Residual Revenue:

Terminating	Terminating	Terminating	Terminating	Total	Previous	Residual
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	Cost-Based	U.S. Surcharge	PICC/mou	Joint High-Cost/r	Terminating	Terminating	Revenue
XYZ - Interstate Rates	\$0.0025	\$0.0014	\$0.0098	\$0.0130	\$0.0267	\$0.0110	

XYZ - Interstate Revenue	\$57,500,000	\$31,795,125	\$225,000,000	\$299,059,875	\$613,355,000	\$253,000,000	\$360,355,000 [A]
		<i>or, funded through the Fund"</i>					

IX. Removal of Implicit Support and Joint High-Cost Loops from Originating Access (or Optional "Free Pass" Increase if needed):

	Current Originating	Proposed Originating	Current Originating Revenue	Proposed Originating Revenue	Residual Revenue
XYZ - Interstate	\$0.0110	\$0.0055	\$270,710,000	\$135,355,000	(\$135,355,000) [B]

X. Removal of implicit support from per-line carrier mechanism(s):

	Current	Proposed	Current	Proposed		
	Rate	Rate	SLC	SLC	Residual	
			Revenue	Revenue	Revenue	
XYZ - Interstate SLC						
Residence		\$3.50	\$3.50	\$315,000,000	\$315,000,000	\$0
Business		\$6.00	\$6.00	\$180,000,000	\$180,000,000	\$0
Total SLC			\$0	\$495,000,000	\$495,000,000	\$0
XYZ - Interstate PICC						
Residence		\$1.50	\$0.00	\$135,000,000	\$0	(\$135,000,000)
Business		\$3.00	\$0.00	\$90,000,000	\$0	(\$90,000,000)
Total PICC				\$225,000,000	\$0	(\$225,000,000) [C]
Net Impact on LEC Revenue:						\$0 = [A] + [B] + [C]
"Revenue Neutral"						